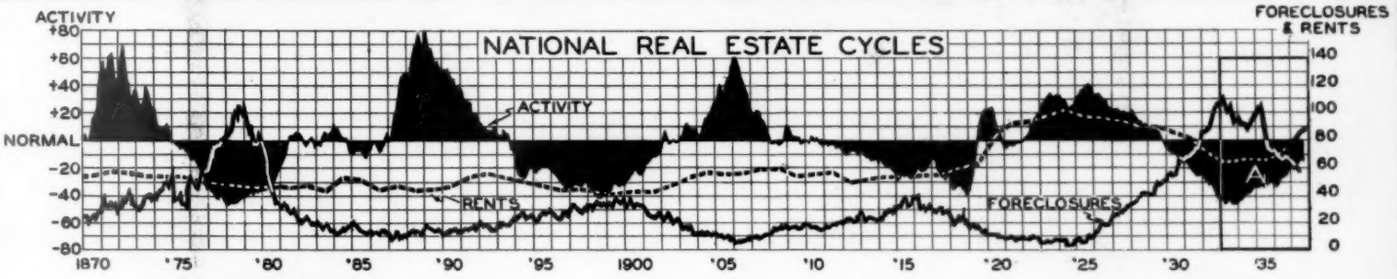
The Real Estate ANALYST

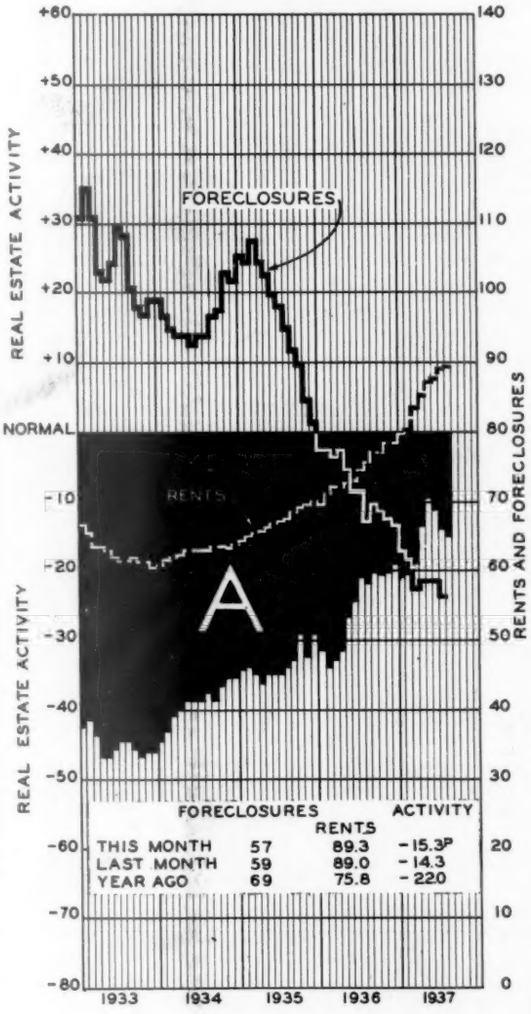
SEPTEMBER
1937

Roy Wenzlick
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

Real Estate Economists, Appraisers and Counselors

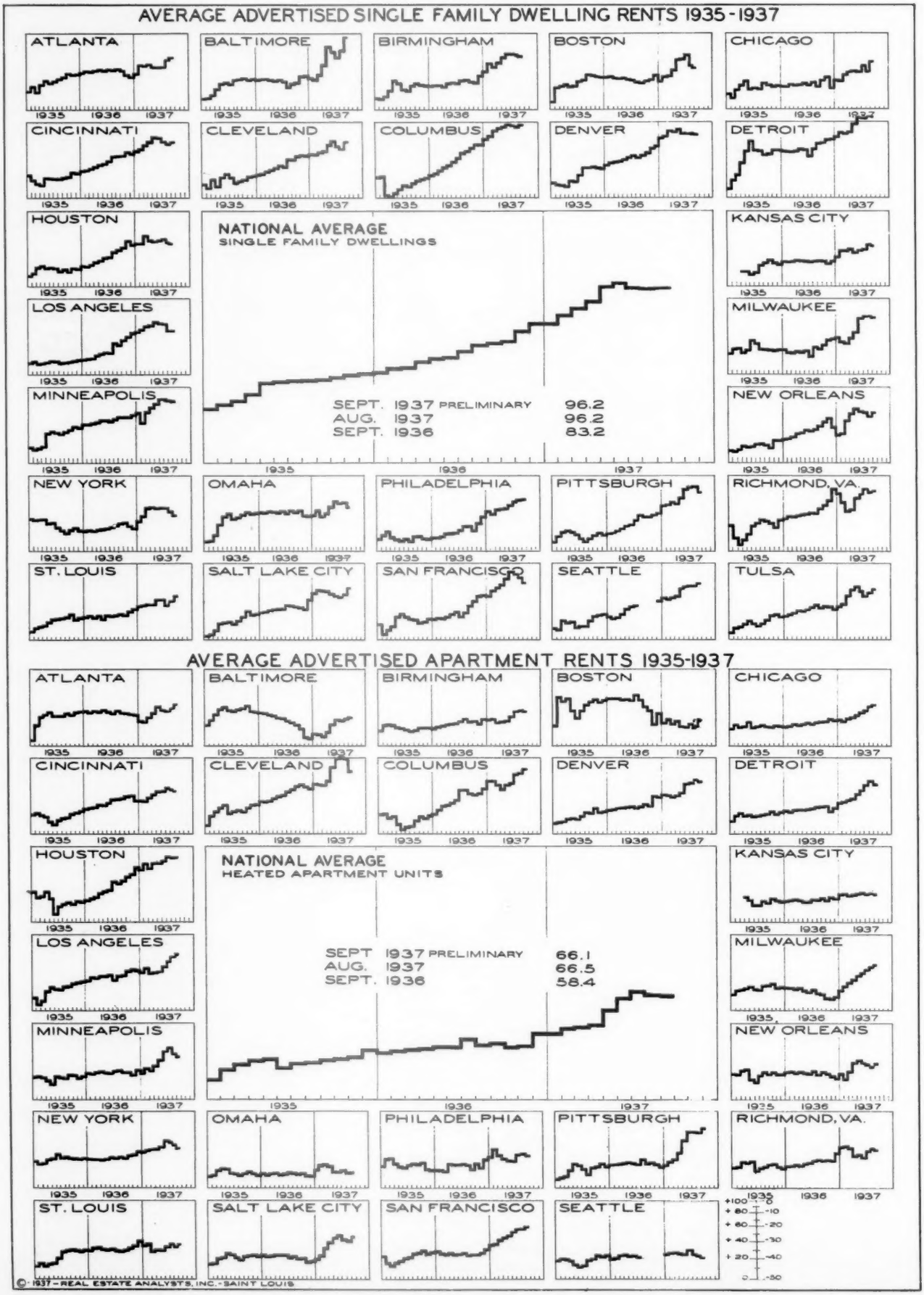




THE chart above shows the fluctuations of urban real estate activity, foreclosures, and rents in the United States from 1870 to the present. The chart to the left is the last five years of the upper chart enlarged to show monthly fluctuations. This chart is explained in detail in the article starting on page 632 in the November issue.

The national average of real estate sales for the month of August continued to decline for the third successive month. This decline is not uniform throughout the country, as 43% of the cities remained the same or showed an increase over the July figure. Residential rents remained stationary, while building material prices again recorded a very slight reduction. Residential construction, based upon the number of new family accommodations provided per 10,000 families, stiffened for the month of August for all regions except New England, which showed a marked drop. West, South Central, Mountain, and South Atlantic regions showed a substantial recovery from the loss shown in July. Foreclosures again recorded a sizable drop, and continued the steady decline for the past year.

The present recession, experienced during the past few months, is of a temporary nature and contains the seeds of recovery to correct itself. The too rapid increase in building costs in relation to comparable rents and values of existing properties, a too optimistic building program in the spring, and a hesitancy on the part of demand due to the general business recession from political and labor uncertainty have all contributed to the present temporary lull. The general real estate picture has not changed and remains favorable.


AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS 1935-1937
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DENVER
DETROIT
HOUSTON
NATIONAL AVERAGE
SINGLE FAMILY DWELLINGS
KANSAS CITY
LOS ANGELES
MILWAUKEE
MINNEAPOLIS
NEW ORLEANS
SEPT. 1937 PRELIMINARY 96.2
AUG. 1937 96.2
SEPT. 1936 83.2
NEW YORK
OMAHA
PHILADELPHIA
PITTSBURGH
RICHMOND, VA.
ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
TULSA
1935
1936
1937
AVERAGE ADVERTISED APARTMENT RENTS 1935-1937
ATLANTA
BALTIMORE
BIRMINGHAM
BOSTON
CHICAGO
CINCINNATI
CLEVELAND
COLUMBUS
DENVER
DETROIT
HOUSTON
NATIONAL AVERAGE
HEATED APARTMENT UNITS
KANSAS CITY
LOS ANGELES
SEPT 1937 PRELIMINARY 66.1
AUG. 1937 66.5
SEPT. 1936 58.4
MILWAUKEE
MINNEAPOLIS
NEW ORLEANS
NEW YORK
OMAHA
PHILADELPHIA
PITTSBURGH
RICHMOND, VA.
ST. LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
+100
+80
+60
+40
+20
0
-10
-20
-30
-40
-50
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ADVERTISED RENTALS ON DWELLING UNITS

REAL Estate Analysts, Inc., computes the average advertised rent of single family dwelling and heated apartment units each month in the twenty-six metropolitan areas listed below. The figures given are average rents per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city. The figures given below, unlike the figures which appeared in earlier issues of The Real Estate Analyst, have been adjusted for seasonal fluctuation, as we have found some regular seasonal fluctuation in our advertised rental prices.

The average rent per month per room of all places advertised will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. The charts on the opposite page show these figures adjusted for seasonal fluctuation, city by city, with large composite charts showing the average fluctuations in principal cities. Advertised rents represent not what properties are actually renting for, but what the owners of the properties believe they will bring. After some adjustment in periods of depression for bargaining between the landlord and the tenant and for other concessions, we are convinced that these rents represent roughly the levels at which properties are being rented currently. The last figures are preliminary, based on the advertisements appearing during the first two weeks of the month.

SINGLE FAMILY DWELLINGS

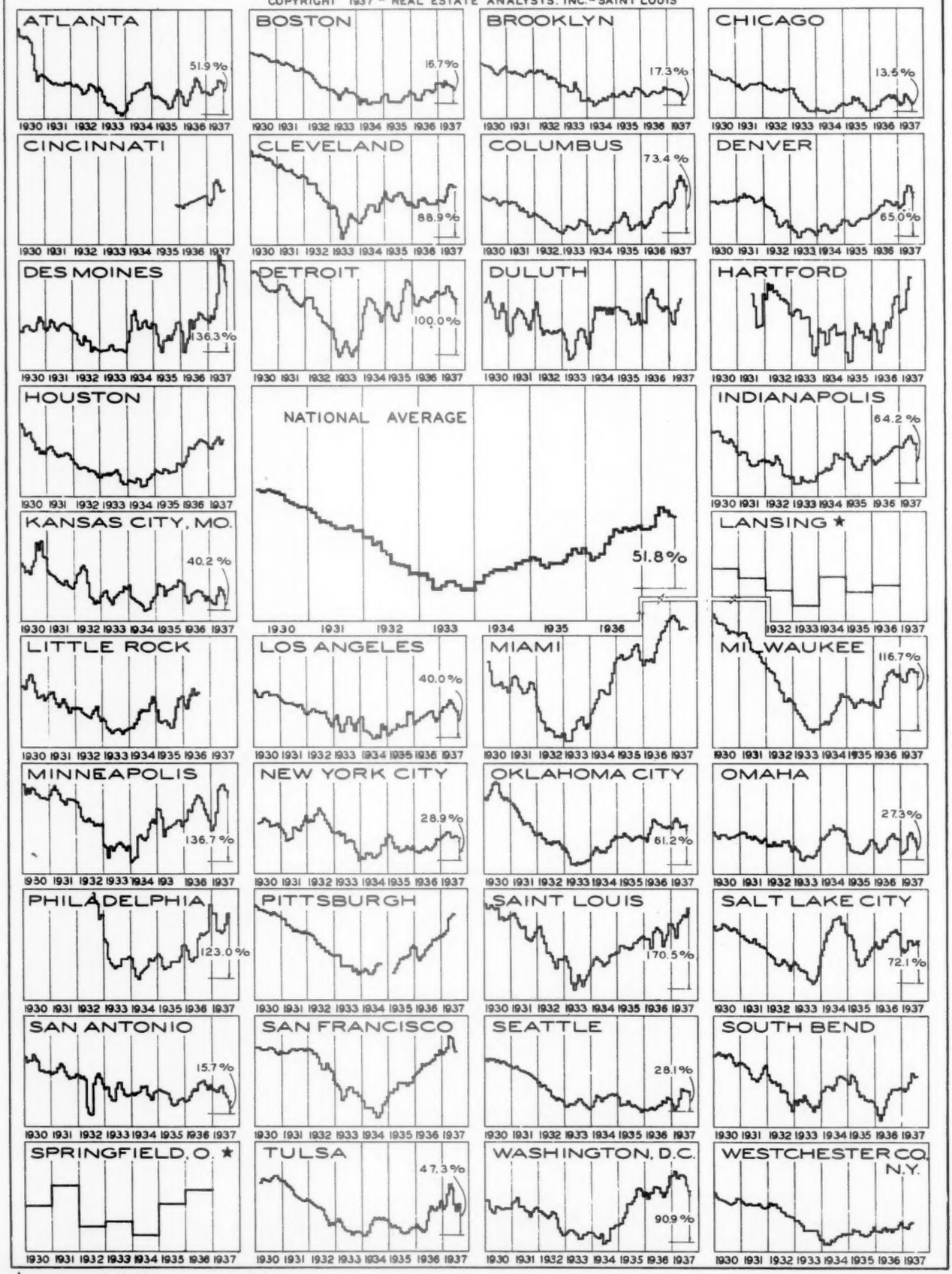
	1935								1936											1937								
	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	*Sept.
Atlanta	$6.33	$6.54	$6.43	$6.52	$6.66	$6.75	$6.97	$6.91	$6.93	$7.03	$7.16	$7.15	$7.20	$7.23	$7.17	$7.22	$7.21	$7.29	$7.15	$6.89	$6.75	$6.99	$7.50	$7.47	$7.56	$7.37	$7.33	$7.33	$7.79	$7.92
Baltimore	5.46	5.77	5.81	5.71	5.98	5.99	6.03	5.91	5.99	5.92	5.94	5.95	5.91	5.89	5.93	5.85	5.60	5.76	5.81	6.18	6.20	6.05	5.96	6.22	6.74	7.84	7.50	7.11	7.58	8.44
Birmingham	4.80	5.27	5.11	4.85	4.80	5.01	5.12	5.05	5.03	5.01	5.03	5.06	4.98	5.13	5.15	5.13	5.27	5.28	5.20	5.18	5.50	5.70	6.13	5.93	6.19	6.41	6.60	6.59	6.45	6.40
Boston	6.99	6.85	6.89	7.19	7.27	7.61	7.58	7.45	7.40	7.40	7.42	7.31	7.29	7.30	7.25	7.23	7.09	7.05	7.20	7.30	7.55	7.19	7.48	7.55	7.91	8.58	8.64	8.98	8.20	7.97
Chicago	9.40	9.77	9.11	9.21	9.11	9.55	9.45	9.36	9.39	9.38	9.38	9.46	9.44	9.45	9.53	9.41	9.67	9.32	9.80	10.11	9.25	9.85	9.83	10.31	10.55	10.62	10.56	11.11	10.65	11.50
Cincinnati	7.35	7.76	7.83	7.82	7.81	7.90	7.93	8.23	8.19	8.34	8.38	8.53	8.68	8.83	8.93	9.11	9.50	9.53	9.54	9.83	9.70	9.98	10.12	10.49	10.79	11.29	11.18	10.60	10.48	10.62
Cleveland	7.29	7.87	8.10	7.86	7.43	7.70	7.73	7.92	8.00	8.07	8.13	8.30	8.40	8.59	8.75	8.69	9.28	9.27	9.48	9.53	9.60	9.65	9.62	9.82	9.95	10.40	10.62	10.25	9.99	10.62
Columbus	4.54	4.75	4.88	5.07	5.01	5.16	5.26	5.38	5.40	5.53	5.65	5.79	5.95	6.07	6.23	6.42	6.71	6.83	7.07	7.25	7.25	7.64	7.86	8.22	8.44	8.54	8.65	8.60	8.54	8.64
Denver	5.00	5.24	5.23	5.53	5.90	5.90	5.99	5.93	5.89	6.08	6.21	6.26	6.28	6.36	6.48	6.54	6.46	6.59	6.77	7.05	7.14	7.75	7.85	8.23	8.20	8.40	8.02	7.93	7.96	7.78
Detroit	7.52	8.34	9.13	8.40	8.35	8.10	8.18	8.42	8.42	8.35	8.32	8.29	8.40	8.55	8.51	8.09	8.49	9.03	9.04	9.31	9.35	9.59	9.90	9.80	9.91	10.57	11.34	11.20	11.23	11.22
Houston	7.25	7.17	7.18	7.11	6.90	7.06	6.87	7.10	7.09	7.22	7.21	7.35	7.50	7.62	7.81	7.85	8.29	8.40	8.62	9.15	8.84	8.92	8.92	9.55	9.20	9.00	9.10	9.15	8.83	8.72
Kansas City	4.60	4.60	4.50	4.56	4.88	4.98	5.10	4.96	4.90	5.04	5.02	5.05	5.10	5.09	5.05	5.03	5.05	5.07	5.05	4.94	5.03	5.23	5.55	5.55	5.65	5.46	5.49	5.57	5.82	5.74
Los Angeles	8.37	8.46	8.56	8.54	8.40	8.43	8.46	8.53	8.64	8.68	8.72	8.74	9.04	9.18	9.28	9.25	10.05	9.86	10.34	10.62	11.12	11.13	11.46	11.73	11.81	12.16	11.72	11.66	11.10	11.08
Milwaukee	7.93	8.17	8.90	8.64	8.20	8.19	8.13	8.12	8.15	8.15	7.99	7.98	8.03	8.00	8.10	7.73	8.38	8.23	8.56	8.98	9.08	9.14	8.81	8.72	8.54	8.72	9.90	10.16	10.14	9.96
Minneapolis	5.29	5.94	6.08	6.00	5.92	6.01	6.18	6.30	6.27	6.42	6.42	6.49	6.56	6.67	6.67	6.64	6.78	6.85	6.85	6.85	6.99	7.18	6.53	7.21	7.41	7.74	7.98	7.97	7.94	7.90
New Orleans	5.23	5.21	5.22	5.34	5.35	5.30	5.20	5.49	5.54	5.64	5.65	5.74	5.90	5.98	6.10	6.05	6.13	6.34	6.55	6.78	6.24	5.81	5.90	6.63	7.07	7.32	7.15	7.13	6.87	7.08
New York	12.75	12.35	12.36	11.92	11.61	11.43	11.62	11.82	11.59	11.52	11.59	11.52	11.69	11.71	11.77	11.99	12.14	12.38	12.43	12.12	11.77	12.60	13.29	14.21	14.29	14.19	14.08	14.02	13.45	13.18
Omaha	5.79	6.21	6.37	6.10	6.19	6.31	6.46	6.39	6.41	6.46	6.40	6.47	6.44	6.42	6.50	6.37	6.50	6.47	6.52	6.27	6.22	6.30	6.53	6.21	6.35	6.69	7.03	6.90	6.91	6.66
Philadelphia	5.70	5.61	5.57	5.63	5.48	5.77	5.78	5.68	5.66	5.70	5.70	5.75	5.90	5.95	5.97	6.11	6.30	6.30	6.19	6.49	6.85	7.22	7.06	7.33	7.36	7.40	7.54	7.70	7.86	7.94
Pittsburgh	7.24	7.15	6.99	6.76	6.59	6.77	6.96	7.10	6.98	7.10	7.12	7.26	7.39	7.59	7.67	7.95	8.33	8.28	8.28	8.33	8.51	9.17	9.21	9.40	9.26	9.68	10.42	10.65	10.52	10.06
Richmond	5.58	5.86	6.32	6.47	6.63	6.59	6.44	6.24	6.63	6.71	6.86	6.85	6.90	6.96	7.07	7.11	7.10	7.39	7.69	7.98	8.88	8.52	7.82	7.26	7.34	8.06	8.30	8.70	8.59	9.29
Saint Louis	6.29	6.48	6.62	6.64	6.65	6.78	6.91	6.68	6.73	6.79	6.82	6.76	6.82	6.65	6.86	6.81	6.84	6.93	6.86	7.15	7.30	7.44	7.59	7.60	7.60	7.89	7.88	7.34	7.74	8.03
Salt Lake City	5.21	5.23	5.30	5.20	5.34	5.57	5.58	5.65	5.69	5.78	5.79	5.90	5.94	5.97	6.00	6.15	6.11	6.08	6.04	5.94	6.45	6.86	7.05	7.04	6.99	6.82	7.61	6.49	6.67	7.09
San Francisco	6.78	7.36	7.56	7.36	7.22	7.17	7.00	7.05	7.28	7.26	7.31	7.29	7.36	7.54	7.70	7.41	7.70	8.18	8.52	8.97	9.01	8.99	9.37	9.64	9.83	10.30	10.90	10.58	10.30	9.88
Seattle	5.28	5.30	5.05	5.07	5.07	5.31	5.56	5.62	5.65	5.55	5.45	5.51	5.70	5.96	6.09	6.19	x	x	x	x	6.40	6.58	6.49	6.59	6.69	7.04	7.14	7.26	7.26	7.37
Tulsa	6.31	6.51	6.34	6.28	6.36	6.58	6.86	6.95	6.79	6.84	6.95	7.06	7.14	7.12	7.26	7.38	7.52	7.34	7.45	7.41	7.27	7.42	7.65	8.23	8.74	8.84	8.45	8.17	8.39	8.59

HEATED APARTMENT UNITS

Atlanta	9.95	10.25	9.88	9.88	9.88	10.11	9.99	10.23	10.26	10.28	10.20	10.32	10.31	10.45	10.34	10.20	10.35	10.21	10.13	10.04	9.96	9.45	9.36	9.70	10.20	10.62	10.36	10.32	10.45	10.87
Baltimore	11.78	12.02	11.70	11.68	11.75	11.95	12.20	11.59	11.55	11.49	11.48	11.23	11.21	10.98	10.85	10.64	10.50	10.26	9.95	9.26	9.20	9.55	9.54	9.32	9.64	10.28	10.60	10.66	10.70	10.83
Birmingham	8.46	8.29	8.25	8.11	8.01	8.08	8.30	8.30	8.30	8.29	8.36	8.40	8.53	8.55	8.60	8.80	8.97	8.77	8.80	8.59	8.92	8.90	8.95	8.69	8.74	8.83	9.10	9.54	9.58	9.45
Boston	12.26	10.99	10.33	10.96	11.59	11.95	12.19	11.90	12.08	12.30	12.30	12.30	12.25	12.20	12.05	12.70	12.20	11.49	11.09	9.80	10.72	9.83	10.20	9.77	10.06	9.53	9.49	9.70	9.66	10.07
Chicago	11.43	11.85	11.33	11.39	11.51	11.40	11.38	11.47	11.43	11.40	11.46	11.58	11.51	11.61	11.71	11.61	11.80	11.82	11.90	12.20	12.03	12.10	11.97	12.23	12.30	12.59	12.72	13.20	13.60	13.68
Cincinnati	10.51	10.13	9.86	10.23	10.41	10.47	10.70	10.86	11.06	11.26	11.36	11.47	11.69	11.63	11.91	12.33	12.40	12.44	12.67	12.70	12.20	12.20	12.12	12.50	12.92	13.12	13.22	13.67	13.34	13.20
Cleveland	9.45	9.71	9.18	9.25	9.34	9.25	9.51	9.76	9.83	10.10	10.09	10.15	10.40	10.60	10.67	11.00	11.27	11.57	11.68	11.53	11.36	11.81	11.71	11.70	12.08	13.68	14.56	14.62	14.60	13.99
Columbus	8.87	8.24	7.90	8.05	8.09	8.58	8.89	8.72	8.94	9.07	9.38	9.74	9.76	10.00	10.21	11.30	11.30	10.79	10.74	10.82	11.38	12.13	12.13	11.72	11.28	11.58	11.72	12.69	13.11	13.20
Denver	9.75	9.76	9.73	10.01	10.43	10.27	10.76	10.43	10.48	10.53	10.60	10.71	10.72	10.76	10.86	10.69	10.90	11.15	10.98	11.99	11.92	12.09	12.08	11.83	12.00	12.38	13.28	13.40	13.71	13.50
Detroit	10.17	10.16	10.00	10.06	10.17	10.24	10.43	10.25	10.35	10.49	10.40	10.59	10.61	10.59	10.65	10.69	10.81	10.88	10.90	10.46	10.74	11.32	11.45	11.58	11.69	12.00	12.50	13.18	13.69	13.32
Houston	8.66	8.13	7.06	7.54	7.77	7.86	7.77	7.91	7.86	8.00	8.12	8.26	8.53	8.70	8.78	9.47	9.31	9.50	9.87	10.12	10.69	10.50	11.03	10.60	11.08	11.08	11.12	11.51	11.55	11.55
Kansas City	6.92	6.72	6.44	6.44	6.70	6.59	6.81	6.73	6.64	6.68	6.73	6.78	6.73	6.68	6.68	6.79	6.74	6.86	6.71	6.90	6.85	7.11	7.12	7.05	7.11	7.09	7.09	7.04	7.23	7.05
Los Angeles	10.65	11.17	10.96	10.88	11.22	11.27	11.47	11.62	11.69	11.75	12.09	12.07	12.21	12.21	12.44	12.79	12.33	12.36	12.79	12.96	12.92	12.66	13.17	12.51	12.58	12.69	13.26	13.80	14.46	14.78
Milwaukee	9.74	9.91	9.70	9.66	10.03	10.09	10.20	9.89	9.90	9.88	9.85	9.73	9.85	9.64	9.51	9.70	9.40	9.34	9.06	9.05	9.13	9.65	10.00	10.30	10.62	10.87	11.11	11.51	11.76	11.90
Minneapolis	8.39	8.13	8.75	8.68	8.65	8.86	8.81	8.67	8.73	9.00	8.94	9.05	9.11	9.04	9.03	9.14	9.19	9.04	9.04	8.86	9.22	9.04	9.35	9.17	9.51	9.96	10.75	11.17	10.45	10.24
New Orleans	8.65	7.74	7.70	8.18	8.40	8.23	8.38	8.28	8.28	8.41	8.49	8.35	8.44	8.37	8.34	8.54	8.24	8.42	8.28	8.10	7.95	8.31	7.90	8.48	9.19	9.25	8.95	9.07	8.65	9.04
New York	17.49	17.56	18.34	17.82	17.85	17.80	17.69	17.60	17.67	17.58	17.56	17.57	17.57	17.67	17.80	17.74	17.88	17.68	18.05	18.22	18.72	18.84	18.90	19.00	19.08	19.48	20.22	20.10	19.62	19.05
Omaha	10.71	10.66	10.27	9.97	10.13	10.22	10.40	10.23	10.07	10.23	10.11	10.21	10.24	10.10	10.21	10.38	10.32	10.27	10.30	10.00	10.02	10.51	11.01	11.09	10.90	10.32	10.42	10.50	10.37	10.34
Philadelphia	13.80	13.51	13.41	13.67	13.82	13.77	13.92	13.11	13.03	13.07	13.10	12.95	12.85	12.82	12.82	12.85	12.76	13.11	13.87	13.48	14.44	14.75	15.64	14.98	14.50	14.22	14.09	14.92	14.91	14.72
Pittsburgh	9.46	10.01	9.83	9.59	9.20	9.64	9.76	10.00	9.77	9.91	9.92	9.96	10.02	10.03	10.02	9.99	10.49	10.11	10.16	9.95	9.72	9.90	10.19	10.48	11.09	12.22	13.28	13.30	13.05	13.64
Richmond	10.09	10.23	9.41	9.62	9.76	9.93	9.97	9.77	9.68	9.80	9.89	10.01	9.85	10.01	10.03	10.29	10.41	10.31	10.41	10.40	11.00	11.62	11.72	11.53	10.72	10.82	10.53	11.16	11.42	11.23
Saint Louis	8.72	8.75	9.19	9.71	9.81	9.86	9.81	9.72	9.84	9.79	10.04	10.07	9.96	9.89	9.95	9.76	9.74	9.79	10.04	10.23	10.57	10.29	10.38	9.71	9.90	9.79	10.04	10.40	10.19	10.33
Salt Lake City	9.27	9.55	9.40	9.29	9.06	9.31	9.38	9.40	9.36	9.45	9.33	9.40	9.45	9.45	9.45	9.30	9.37	9.19	9.21	8.90	8.94	9.12	9.40	9.99	10.54	10.80	11.07	10.80	10.68	10.91
San Francisco	10.47	10.56	10.85	10.94	11.40	11.48	11.69	11.41	11.49	11.59	11.44	11.39	11.49	11.33	11.38	11.49	11.22	11.30	11.30	11.42	11.81	12.28	12.43	12.90	13.19	13.39	13.70	14.00	13.98	14.26
Seattle	10.05	9.69	9.51	9.65	10.06	10.21	10.58	10.48	10.52	10.23	10.37	10.53	10.60	10.50	10.56	10.46	x	x	x	x	10.32	10.65	10.79	10.82	10.75	10.67	10.98	10.73	10.52	10.25

*Preliminary
x Newspaper strike

REAL ESTATE TRANSFERS IN PRINCIPAL CITIES
1930-1937



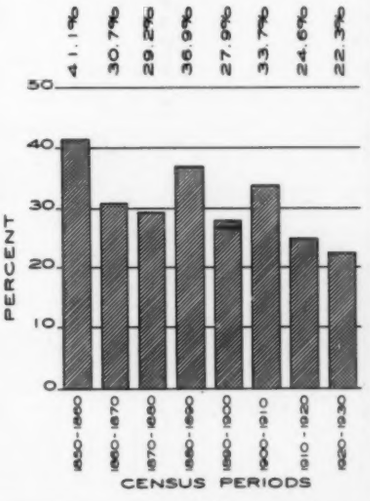
★ MONTHLY FIGURES NOT AVAILABLE

RATE OF GROWTH OF METROPOLITAN COUNTIES

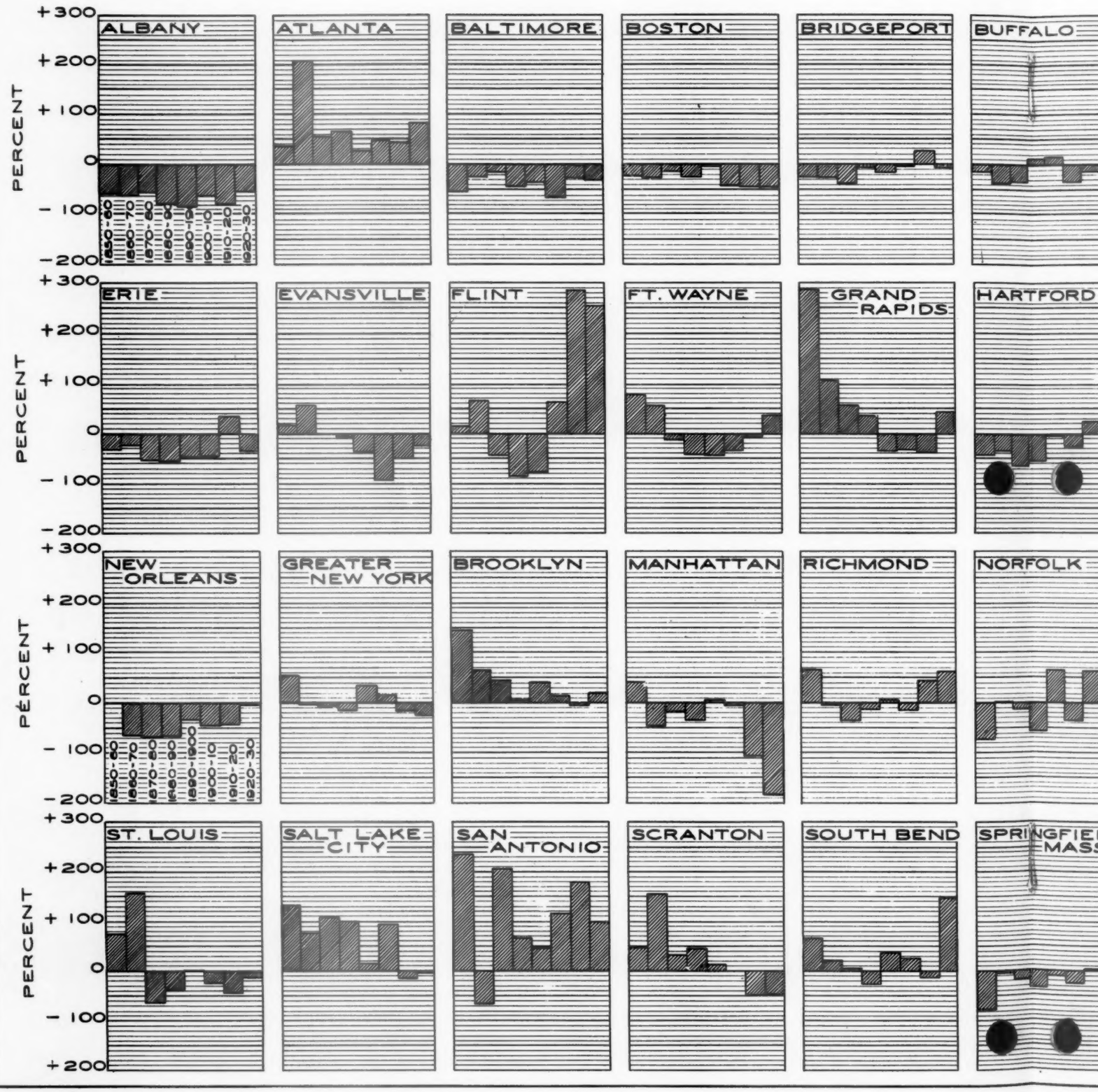
THE rate at which a city is growing affects tremendously certain types of its real estate. It is quite obvious, of course, that subdivision property will sell better and at a higher price in rapidly growing cities than in cities which are stationary in population. It is not quite so obvious that in a period when construction costs are rising rapidly that rents and values will rise more steeply in a rapidly growing city than they will in a city which is growing slowly. The reason for this, of course, is that in the rapidly growing city vacancies are quickly absorbed, a housing shortage develops, rents rise rapidly on older buildings and continue to rise until they reach the level of construction costs, which is their upper determinant. On the other hand, taking an extreme example, a city might be losing population rapidly enough to maintain a large percentage of vacancy which was fairly constant in size in spite of improving business conditions and in spite of the fact that the older houses are constantly either being torn down or becoming too obsolete remain a part of the competitive market. In a city of this sort, regardless of how rapidly construction costs rise, rents and values will not rise proportionately. Contrary to popular opinion, commercial values in the downtown district do not depend so much on the rate of growth as they do upon the size of the city and the size of its trading territory.

In the charts on the six pages which follow we have attempted to show for the principal metropolitan counties the relative rates of growth for each decade from 1850 to the present. These charts are based on the county rather than the city as in a long period of years city boundaries change materially, while county boundaries seldom do, and the county limits often include important suburbs not inside the city limits. In a number of the cities on this chart more than one county has been included in the metropolitan area.

In order to understand these charts and what they indicate, it is necessary first to study the chart in the lower right hand corner of this page, which shows the typical rate of growth for each decade from 1850 to 1930 for metropolitan counties in the United States. It will be noticed on this chart that from 1850 to 1860 the typical county had increased in population by 41.1%. The increase from the 1860 census to the census of 1870 was 30.7%, and for each succeeding census enumeration the percentages are shown down to the last census in 1930, which showed a growth of 22.3% from the 1920 figures.



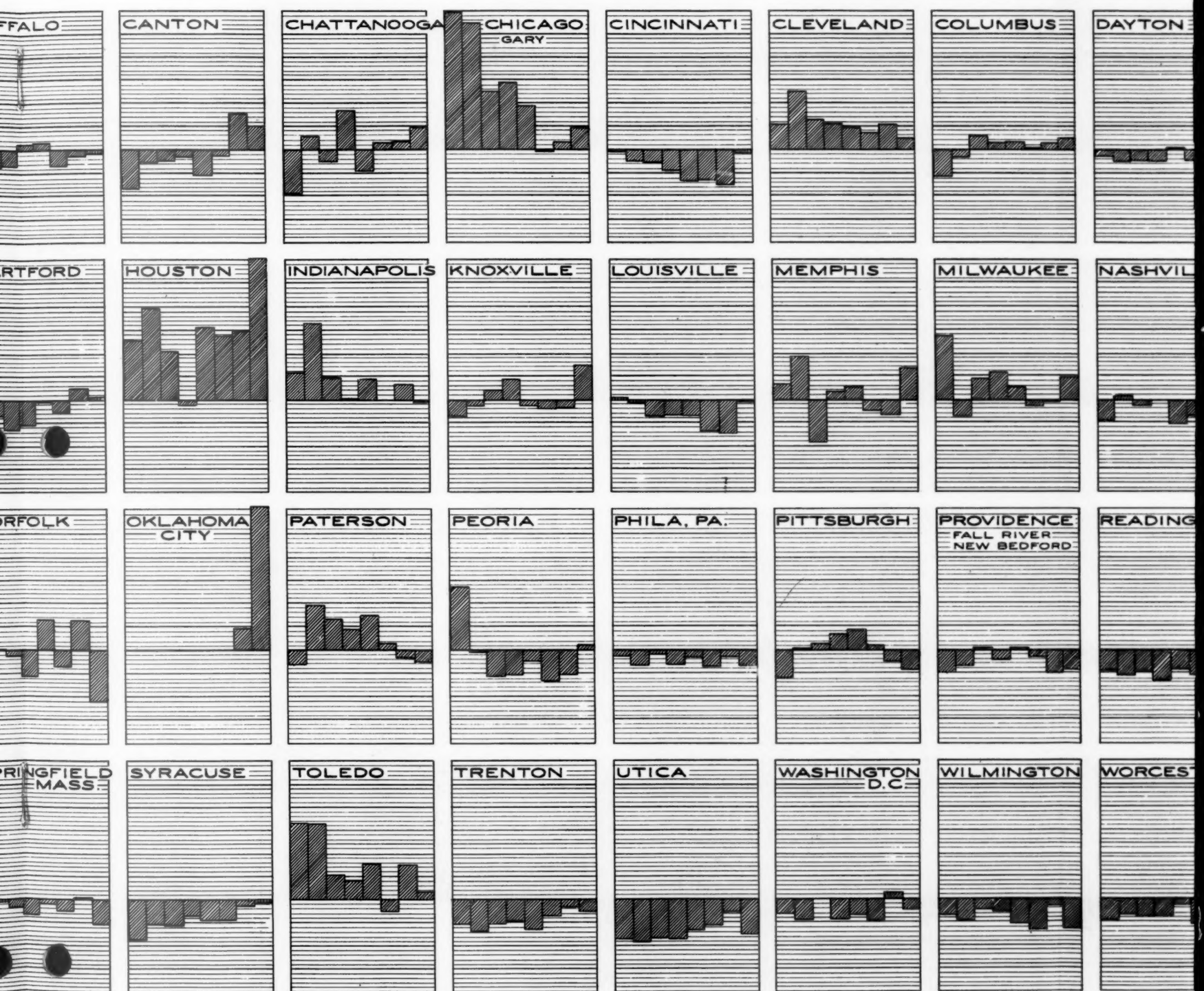
The chart on Albany on the following page shows that between 1850 and 1860 Albany increased in population by a percentage 58% below the typical increase in all metropolitan counties. This does not mean that Albany lost population, as it actually grew by more than 17% in this period, but it did not grow as rapidly as the typical metropolitan areas. A second example, Atlanta, shows a totally different picture. Over the entire period from 1850 to the present the rate of growth in Atlanta has been greater than the typical experience in metropolitan counties. From 1920 to 1930 it exceeded the typical rate by 82%.


ALBANY
ATLANTA
BALTIMORE
BOSTON
BRIDGEPORT
BUFFALO
ERIE
EVANSVILLE
FLINT
FT. WAYNE
GRAND RAPIDS
HARTFORD
NEW ORLEANS
GREATER NEW YORK
BROOKLYN
MANHATTAN
RICHMOND
NORFOLK
ST. LOUIS
SALT LAKE CITY
SAN ANTONIO
SCRANTON
SOUTH BEND
PERCENT
PÉRCENT
+300
+200
+100
0
-100
-200
1850-60
60-70
70-80
80-90
90-00
00-10
10-20
20-30

RATE OF POPULATION GROWTH OF ME

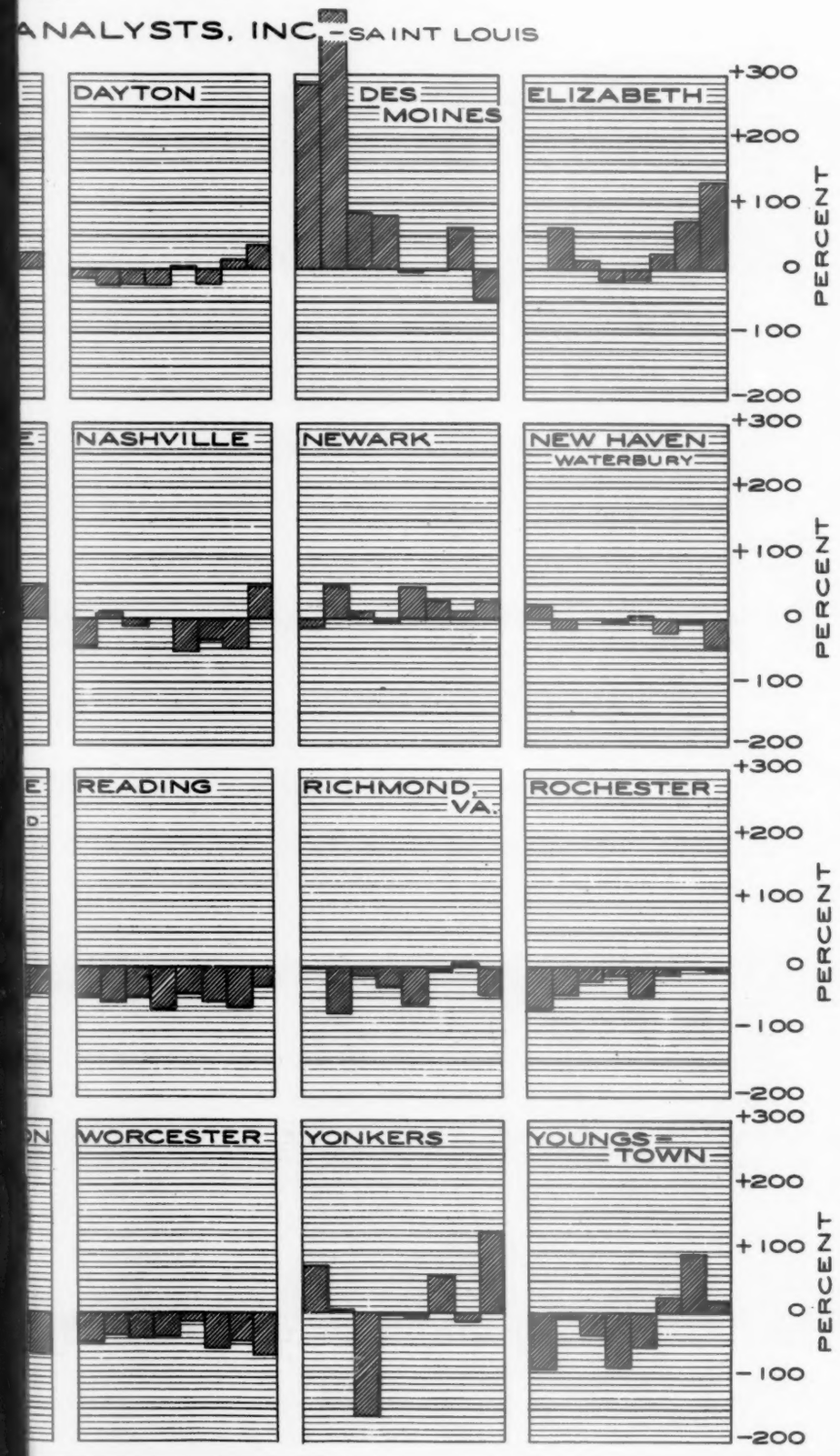
AS A PERCENTAGE ABOVE OR BELOW TY

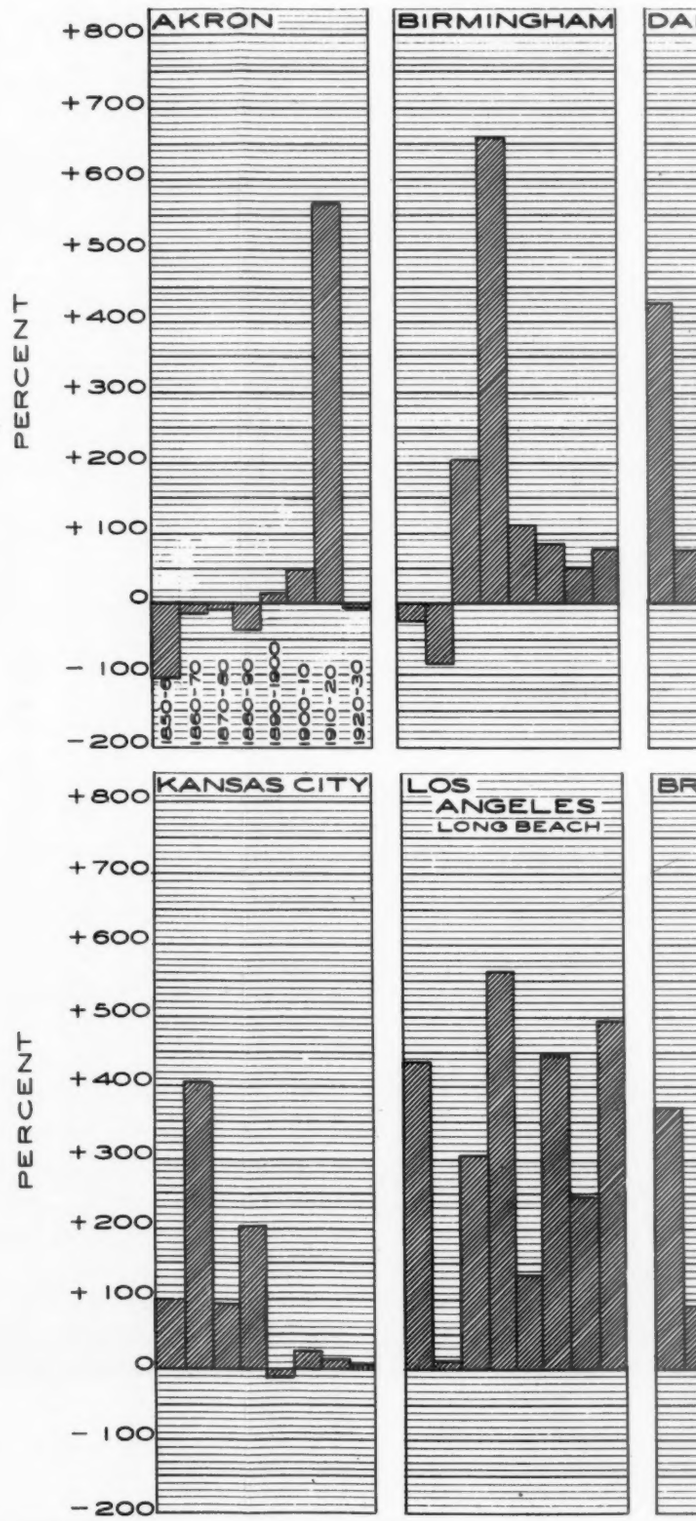
1850-1930

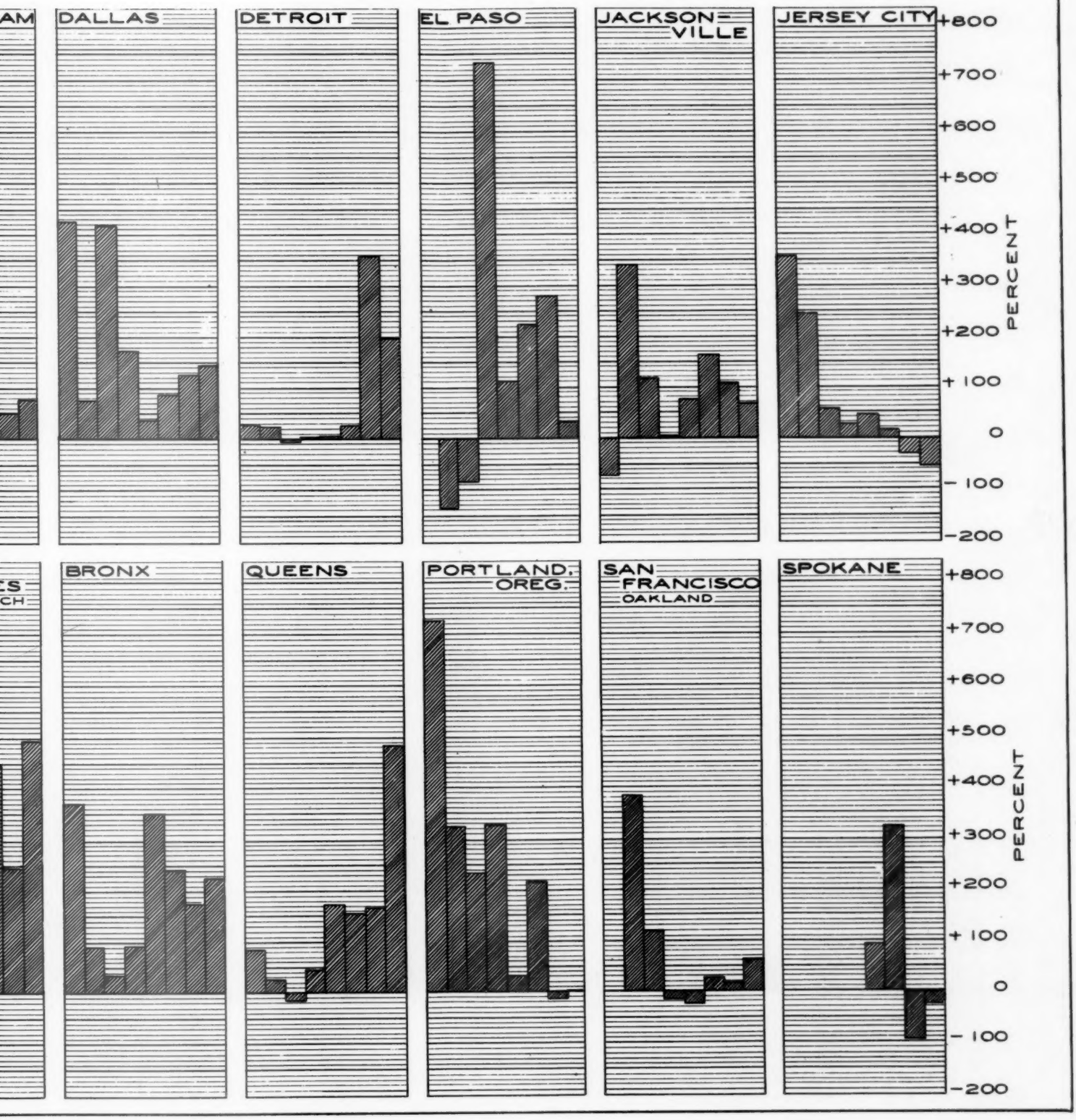


OF METROPOLITAN COUNTIES
BELOW TYPICAL GROWTH
930

ANALYSTS, INC.-SAINT LOUIS



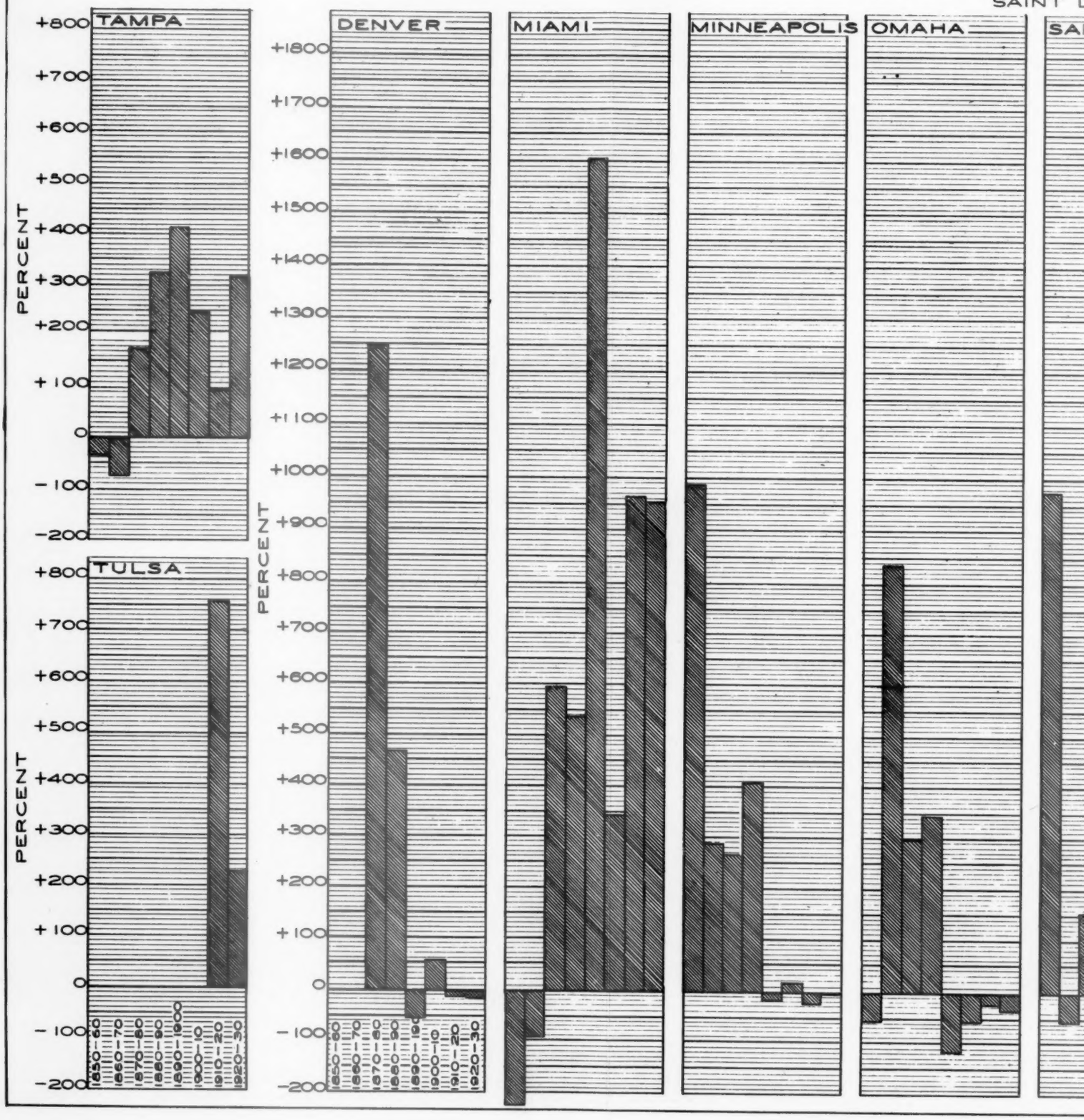



AM
DALLAS
DETROIT
EL PASO
JACKSON-VILLE
JERSEY CITY
+800
+700
+600
+500
+400
+300
+200
+100
0
-100
-200
PERCENT
CS
CH
BRONX
QUEENS
PORTLAND, OREG.
SAN FRANCISCO OAKLAND
SPOKANE
+800
+700
+600
+500
+400
+300
+200
+100
0
-100
-200
PERCENT

RATE OF POPULATION GROWTH

AS A PERCENTAGE ABOVE OR

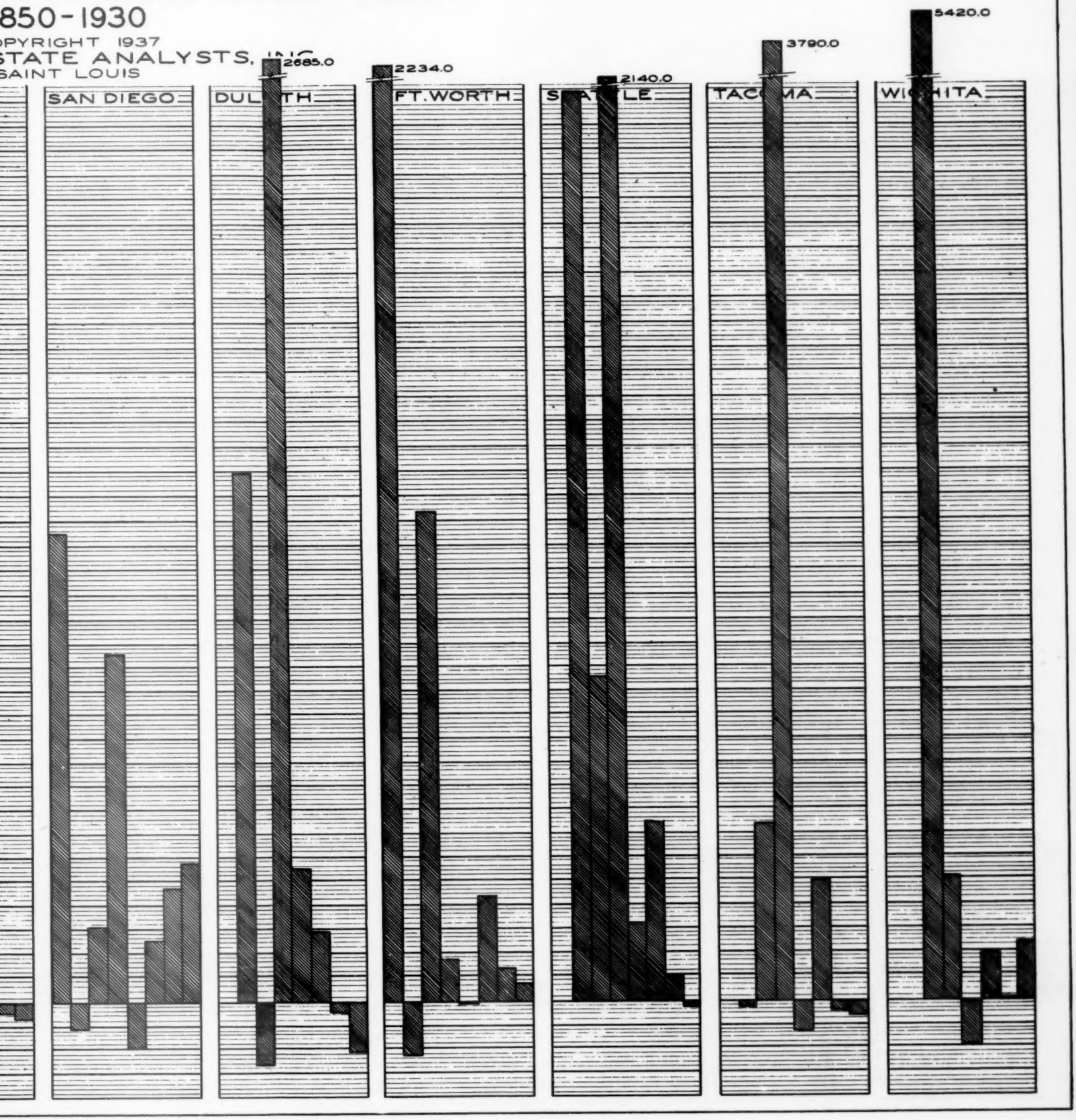
1850-

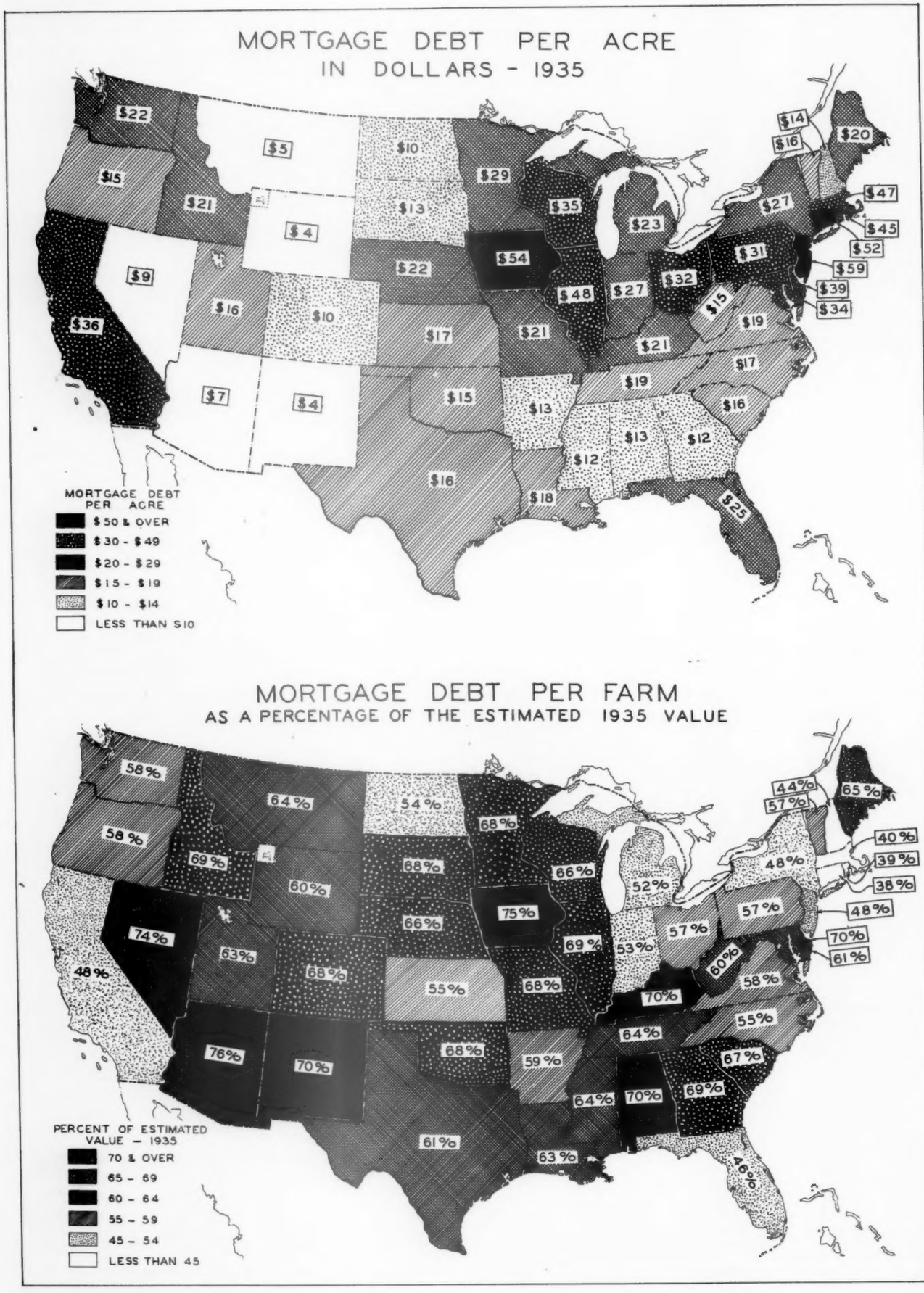


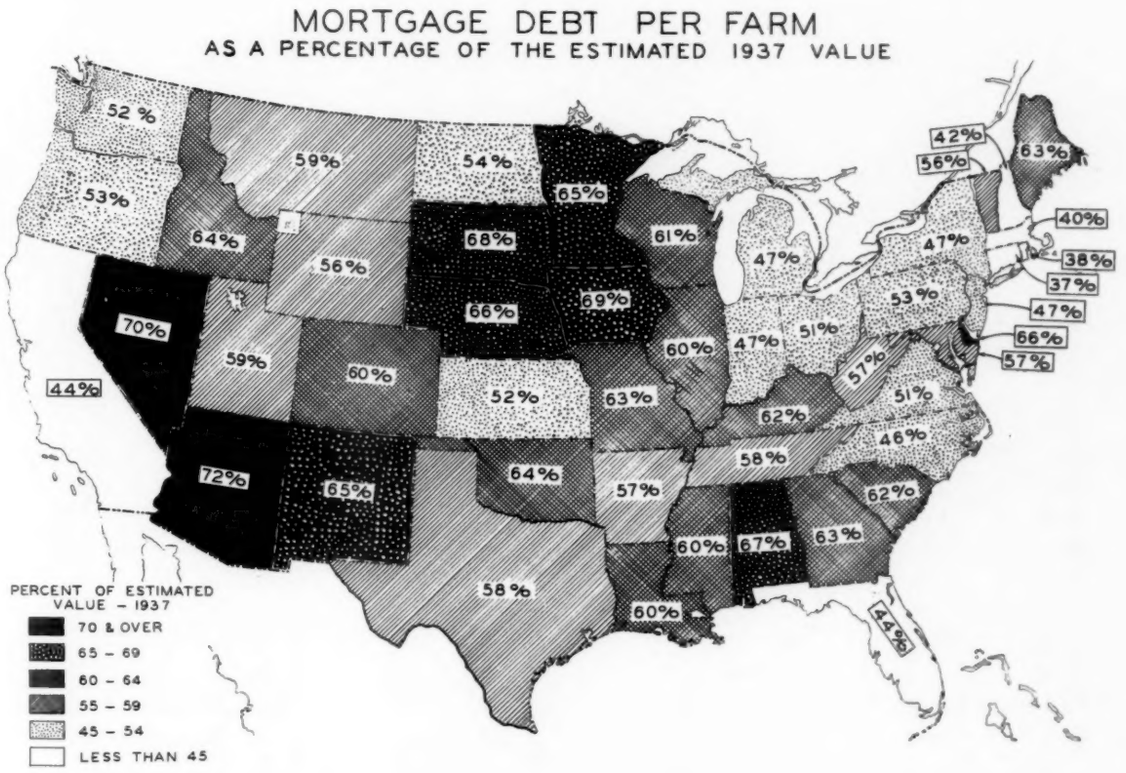
WTH OF METROPOLITAN COUNTIES

VE OR BELOW TYPICAL GROWTH

850-1930




MORTGAGE DEBT PER ACRE
IN DOLLARS - 1935
$22
$5
$10
$29
$14
$16
$20
$15
$21
$13
$35
$23
$27
$47
$4
$45
$9
$22
$54
$31
$52
$59
$16
$10
$48
$27
$32
$15
$39
$34
$36
$17
$21
$21
$19
$19
$17
$7
$4
$15
$13
$16
$13
$12
$12
$16
$18
$25
MORTGAGE DEBT PER ACRE
$50 & OVER
$30 - $49
$20 - $29
$15 - $19
$10 - $14
LESS THAN $10
MORTGAGE DEBT PER FARM
AS A PERCENTAGE OF THE ESTIMATED 1935 VALUE
58%
64%
54%
68%
44%
57%
65%
58%
69%
68%
66%
40%
48%
39%
60%
52%
38%
74%
66%
75%
57%
57%
48%
63%
69%
53%
70%
61%
48%
68%
55%
68%
60%
58%
70%
55%
76%
70%
68%
64%
59%
67%
64%
70%
69%
61%
63%
46%
PERCENT OF ESTIMATED VALUE — 1935
70 & OVER
65 - 69
60 - 64
55 - 59
45 - 54
LESS THAN 45



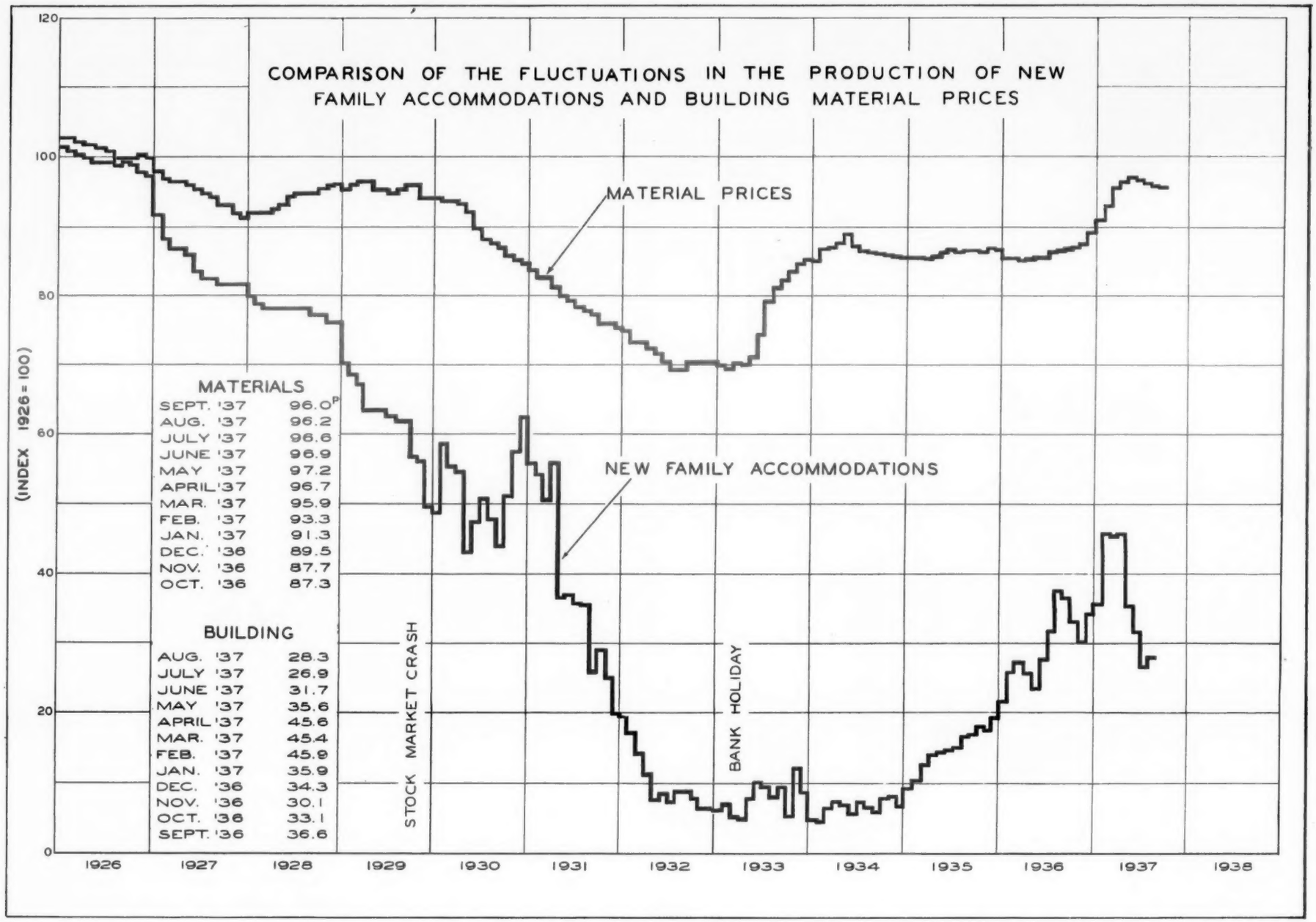
THE MORTGAGE DEBT ON FARMS

THE upper map on the page opposite shows mortgage debts in dollars per acre on farms in the forty-eight states of the Union. This map is based on the studies made jointly by the Department of Commerce and the Department of Agriculture on mortgage indebtedness of farms in 1935.

The lower map on the page relates these mortgage figures to the estimated value per acre of all farms in 1935 and shows the percentage of mortgage indebtedness to this estimated value. The high percentages shown in this study are rather alarming.

In most states the values of farms have increased since 1935; and we believe that in practically all states mortgage indebtedness has not increased, but in some states it has decreased. As no figures are available, however, on this decrease, we are assuming in the map above that the 1935 mortgage indebtedness has remained constant. The increase in land value since 1935, however, has reduced the percentage of indebtedness to 1937 values as shown above.

It must be realized that the high mortgage indebtedness on farms is due to a large extent to the drop in farm values during the depression, and it should also be realized that as farm values come back this percentage of indebtedness will drop, even though the actual amount of indebtedness remains the same. This is shown quite clearly by a comparison of the map at the bottom of the preceding page and the map at the top of this page. It will be many years, however, before mortgage indebtedness on the farms is reduced to a point where it can be easily carried.


COMPARISON OF THE FLUCTUATIONS IN THE PRODUCTION OF NEW FAMILY ACCOMMODATIONS AND BUILDING MATERIAL PRICES
MATERIAL PRICES
NEW FAMILY ACCOMMODATIONS
(INDEX 1926 = 100)
120
100
80
60
40
20
0
MATERIALS
SEPT. '37 96.0P
AUG. '37 96.2
JULY '37 96.6
JUNE '37 96.9
MAY '37 97.2
APRIL '37 96.7
MAR. '37 95.9
FEB. '37 93.3
JAN. '37 91.3
DEC. '36 89.5
NOV. '36 87.7
OCT. '36 87.3
BUILDING
AUG. '37 28.3
JULY '37 26.9
JUNE '37 31.7
MAY '37 35.6
APRIL '37 45.6
MAR. '37 45.4
FEB. '37 45.9
JAN. '37 35.9
DEC. '36 34.3
NOV. '36 30.1
OCT. '36 33.1
SEPT. '36 36.6
STOCK MARKET CRASH
BANK HOLIDAY
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938

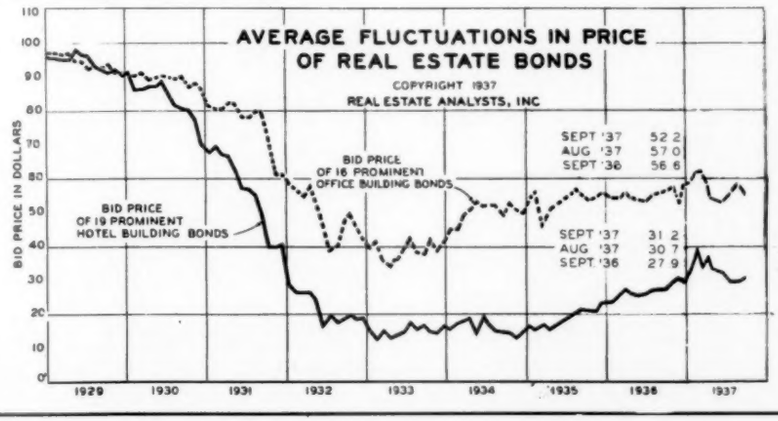
THE RETARDATION OF NEW BUILDING AND ITS PRINCIPAL CAUSE

THE full page chart opposite shows a comparison of the fluctuations by months of building material prices and the number of new family accommodations built per 10,000 families in all principal cities. All figures are shown as percentages of 1926. This chart shows quite clearly that the rapid increases in building material prices, starting in June, 1933, and extending through the middle of 1934, retarded the volume of new building done during 1933 and 1934. It will be noticed that the average for 1934 was below the average of 1933, in spite of the fact that general business showed marked improvement in the latter part of 1933 and 1934. Had building material prices in 1933 remained on a constant level, there can be but little doubt that the resumption of new building would have started several years earlier.

New residential building has just had a second relapse, as shown by the rapid drop in the bottom line on our chart from the high levels of this spring to the relatively low level for the last month. The cause of this relapse is not only the rapid increases in construction material prices, but the increases in building wages as well.

At the bottom of the depression in 1933 the constant refrain was that if credit could be loosened for building, a building boom would result. We said then and we have repeated frequently since, that the lack of credit was a result, not a cause, of the difficulty. The real determinant of the volume of new building under private initiative is not the looseness of credit but the relationship between cost and value of new building.

Each community has what might be called a mass opinion of real estate value. This mass opinion is what the community believes a house is worth. If rents are low, vacancies high, and the only buildings being transferred are being transferred at distress prices or by foreclosures, the mass opinion of value will reach a point far below construction costs. If vacancies are practically non-existant, if rents are rising, if transfers of property are taking place at higher and higher levels, the mass opinion of value rises rapidly until during the boom it will actually exceed construction costs on similar properties. Whenever this mass opinion of value is below replacement cost, contractors who have been encouraged to build with easy money find it difficult to dispose of their buildings at a profit. Whenever this mass opinion of value is above replacement cost, buildings can be sold as rapidly as they can be finished and a building boom results.



THE chart to the left shows the fluctuations in the bid prices of office and hotel building bonds. Office building bonds fell to a new low for the year. Hotel buildings showed a slight recovery from last month's low. Real estate securities have been affected by the general market.